

Message Text

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ORIGIN MMS-03

INFO OCT-01 EA-11 NEA-14 ISO-00 TRSE-00 PER-05 SCA-01

ABF-01 SS-10 SP-03 OC-06 CCO-00 /055 R

DRAFTED BY M/MS:RGMAYS,JR:MAWHITE

APPROVED BY M/MS:RGMAYS,JR.

IRS:MR. GRANDE (PHONE)

EA/IMS:MR. GILL

DG/PER:MR. BISHTON (INFO)

EA/EX:MR. CHAMPAGNE (PHONE)

SCA:MR. CHASE (INFO)

FRM/FM:MR. SMITH (INFO)

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R 062331Z MAY 74

FM SECSTATE WASHDC

TO AMEMBASSY KUALA LUMPUR

INFO AMEMBASSY SAIGON

AMEMBASSY CANBERRA

AMEMBASSY SINGAPORE

AMEMBASSY MANILA

AMEMBASSY WELLINGTON

AMEMBASSY SUVA

AMEMBASSY NEW DELHI

AMEMBASSY DACCA

AMEMBASSY RANGOON

AMEMBASSY JAKARTA

AMEMBASSY BANGKOK

AMEMBASSY VIENTIANE

AMEMBASSY PHNOM PENH

UNCLAS STATE 093101

E.O. 11652 N/A

TAGS:OGEN, CASC, MY

SUBJECT: OPRED - PROPOSAL TO EXPAND OVERSEAS STAFF OF
INTERNAL REVENUE SERVICE

1. CITING EXPANSION OF US TRADE AND INVESTMENT IN FOREIGN

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COUNTRIES, INCLUDING AMERICAN OWNERSHIP AND CONTROL OF

FOREIGN CORPORATIONS, PLUS CONTINUING SUBSTANTIAL INCREASE IN NUMBER OF AMERICANS LIVING ABROAD, TREASURY DEPARTMENT IS REQUESTING AUTHORIZATION TO INCREASE THE NUMBER OF OVERSEAS OFFICES AND PERSONNEL OF THE INTERNAL REVENUE SERVICE.

2. BASIC PURPOSES OF PROPOSED INCREASE ARE:

(A) TO PROVIDE NEEDED TAX INFORMATION AND ASSISTANCE TO THE ROUGHLY 340,000 AMERICAN HEADS OF HOUSEHOLD RESIDING ABROAD AND APPROXIMATELY 40,000 FOREIGN CORPORATIONS CONTROLLED OR INFLUENCED BY U.S. INTERESTS WORLDWIDE.

(B) TO COVER SOME LARGE AREAS CURRENTLY RECEIVING NO COVERAGE, RAISE THE RATIO OF IRS PERSONNEL TO AMERICANS RESIDING ABROAD, AND RELATE THE STAFF SIZE OF EACH OVERSEAS OFFICE TO ITS CASELOAD.

(C) TO OVERCOME THE SERIOUS AND GROWING NON-COMPLIANCE SITUATION IN WHICH NEARLY 50 PERCENT OF AMERICAN CITIZENS ABROAD CURRENTLY FILE NO RETURNS, AND FAULTY REPORTING OF TAXABLE INCOME IS AN INCREASINGLY SERIOUS PROBLEM.

(D) TO INTENSIFY FOREIGN AUDIT, COLLECTION AND COLLATERAL INVESTIGATIONS ACTIVITIES.

(E) TO FACILITATE SETTLEMENT OF CASES INVOLVING APPLICATION OF FOREIGN TAX LAWS AND TAX TREATIES TO U.S. CITIZENS ABROAD AND, CONVERSELY, APPLICATION OF U.S. LAWS AND TAX TREATIES TO FOREIGN NATIONALS.

3. ONE ASPECT OF EXPANSION PROPOSAL CALLS FOR ESTABLISHING FIVE NEW OVERSEAS OFFICES, EACH HAVING ONE REVENUE SERVICE REPRESENTATIVE-RSR, ONE ASSISTANT RSR AND ONE AMERICAN CLERK, WITH ADJUSTMENTS IN TERRITORIAL JURISDICTIONS NOW ASSIGNED TO SEVERAL EXISTING OFFICES. LATEST REVISION OF PROPOSAL WOULD REDISTRIBUTE SOUTHEAST ASIA AND SOUTH PACIFIC AREA (NOW COVERED OUT OF MANILA) INTO THREE AREA JURISDICTIONS, WITH MANILA OFFICE GIVING UP TERRITORY TO NEW OFFICES AT KUALA LUMPUR AND CANBERRA. KUALA LUMPUR UNIT WOULD COVER INDIA, BANGLADESH, BURMA, MALAYSIA, INDONESIA, THAILAND, LAOS AND CAMBODIA. UNIT UNCLASSIFIED

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AT CANBERRA WOULD COVER AUSTRALIA, NEW ZEALAND, AMERICAN SAMOA, FIJI AND NEW HEBRIDES. WHEN THE IRS OFFICE AT SAIGON IS CLOSED, RESPONSIBILITY FOR VIETNAM WOULD EITHER MOVE TO KUALA LUMPUR OR REVERT TO THE MANILA OFFICE, WHICH MEANTIME REMAINS RESPONSIBLE FOR GUAM, TAIWAN AND HONG KONG AS WELL AS THE PHILIPPINES.

4. IRS STATES THAT OPENING NEW OFFICES WOULD GO FAR TO

OVERCOME PRESENT HANDICAP OF EXCESSIVE TIME TRAVELLING FACED BY AGENTS, PERMIT MORE THOROUGH COVERAGE OF TERRITORIES, AND APPRECIABLY REDUCE THE LOPSIDED RATIO OF TAXPAYERS TO IRS PERSONNEL OVERSEAS. SMALLER TERRITORIES WOULD PERMIT SERVICE PERSONNEL TO IMPROVE THEIR FAMILIARITY WITH THESE AREAS, INCREASE THEIR NUMBER OF USEFUL PERSONAL CONTACTS AND KNOWLEDGE OF INVESTIGATIVE LEADS, PROVIDE MORE TIME AND BETTER BACKGROUND WITH WHICH TO INDOCTRINATE VISITING AUDIT TEAMS, AND SIGNIFICANTLY STRENGTHEN COLLECTION ACTIVITY WHICH IS NOW SERIOUSLY NEGLECTED BECAUSE OF LIMITED MANPOWER. INCREASE IRS OFFICES AND PERSONNEL WOULD PROMOTE SUBSTANTIALLY HIGHER LEVEL OF VOLUNTARY COMPLIANCE AND SIGNIFICANT INCREASE IN REVENUE. SHOULD ALSO ENABLE APPLICATION OF MORE IRS TIME TO LIAISON WITH FOREIGN TAX DEPARTMENTS FOR NONCOMPLIANCE PURPOSES AND TO ASSISTING U.S. TAXPAYERS IN DIFFICULTIES ARISING FROM INTERACTION OF DIFFERENT TAX SYSTEMS.

5. IRS ESTIMATES OFFICE STAFF OF THREE WOULD NEED 800-900 SQUARE FEET OF SPACE, PREFERABLY BUT NOT NECESSARILY IN EMBASSY. ALL IRS PERSONNEL WOULD HAVE TOP SECRET CLEARANCES, ANTICIPATE MINIMAL USE OF MISSION COMMUNICATIONS. ADMINISTRATIVE SUPPORT COSTS WOULD BE COVERED UNDER SAS.

6. ACTION REQUESTED. COMMENTS ON IRS PROPOSAL BY ACTION ADDRESSEE COM, INCLUDING ANY IMPACT ON MISSION'S ADMINISTRATIVE SUPPORT CAPABILITY, PLUS ATTITUDE OF HOST GOVERNMENT, TO WHICH INFORMAL APPROACH CAN BE MADE IF POST HAS NO SERIOUS RESERVATIONS ABOUT PROPOSAL. RUSH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 06 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE093101
Document Source: CORE
Document Unique ID: 00
Drafter: RGMAYS,JR:MAWHITE
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740109-1115
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740570/aaaackyv.tel
Line Count: 145
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN MMS
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 29 OCT 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 OCT 2002 by shawdg>; APPROVED <03 JAN 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OPRED - PROPOSAL TO EXPAND OVERSEAS STAFF OF INTERNAL REVENUE SERVICE
TAGS: OGEN, CASC, MY
To: KUALA LUMPUR
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005